

**BIG RAPIDS HOUSING COMMISSION
BIG RAPIDS, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL**

BIG RAPIDS HOUSING COMMISSION
Big Rapids, Michigan

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MARCH 31, 2008

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Khan & Co. LLC**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the accompanying basic financial statements of the Big Rapids Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Big Rapids Housing Commission, Michigan, as of March 31, 2008, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages ii to viii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Sailor, Khan & Co. LLC
June 12, 2008

Big Rapids Housing Commission

Management's Discussion and Analysis (MD&A)

March 31, 2008

(Unaudited)

This section of the Big Rapids Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on March 31, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

The Big Rapids Housing Commission operates several programs which are summarized below:

Low Rent Public Housing

The Big Rapids Housing Commission currently operates public housing units within three distinctive developments, which include: South Parkview Village (MI-041-001), North Parkview Village (MI-041-002), and Evergreen Village (MI-041-003). The Housing Commission is responsible for the complete management and maintenance of all the public housing units and properties. The funds to operate these units are generated from rent revenues, interest income, miscellaneous income, and operating subsidy provided by the Department of Housing and Urban Development.

Capital Fund Program

The Big Rapids Housing Commission is awarded a capital fund grant each year, which is determined by HUD upon the level of appropriations from Congress. The funds are spent on various improvements to the public housing units, properties, and management needs. In the past fiscal year the Big Rapids Housing Commission began a comprehensive window/door replacement in all 287 public housing units. In addition, the furnaces and water heaters were replaced in the Parkview family units. The improvements were financed by the Capital Fund Finance Program.

Childcare/Learning Center

The Big Rapids Housing Commission operates a childcare/learning center which is licensed by the State of Michigan for 55 children. The center provides quality childcare and a structured learning environment for children. The center priority is to serve the residents of public housing but is also open to the general public.

Homeownership Program

The Big Rapids Housing Commission operates a Homeownership Program funded by Acquisition/Development/Resale (ADR) grants from the Michigan State Housing Development Authority. The housing commission acquires single family homes and then completely renovates each for sale to income qualified homebuyers. Public housing residents have priority in purchasing these homes.

Big Rapids Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

Nisbett-Fairman Buildings

The Big Rapids Housing Commission is the managing general partner of the Nisbett-Fairman LDHA LP, which owns and operates the 47 senior apartments in the second and third floors of the Nisbett & Fairman buildings. The Big Rapids Housing Commission is the sole owner of the first floor of each building and rents the commercial space in each building to local businesses. The ownership of buildings is separated according to the Nisbett-Fairman Condominium Deed.

MHSDA Domestic Violence Housing Initiative – DVHI

The Big Rapids Housing Commission received funding from the MHSDA to own and operate two houses for permanent supportive rental housing for domestic violence victims. The Housing Commission has entered into a memorandum of Agreement with W.I.S.E. (Women's Information Service, Inc. to screen participants and provide supportive services as well.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$5,641,187. The net assets decreased by \$179,380, a decrease of 3.1% from the prior year.

Revenues and contributions for the Commission were \$2,192,921 for the year ended March 31, 2008. This was a decrease of \$99,775 or 4.4% from the prior year.

Expenses for the Authority were \$2,265,924 for the year ended March 31, 2008. This was an increase of \$86,087 or 3.9% from the prior year.

HUD operating grants were \$735,872 for the year ended March 31, 2008. This was an increase of \$214,519 or 41.1% from the prior year. Capital contributions for the Commission were \$89,364 for the year ended March 31, 2008. This was a decrease of \$351,184 or 79.7% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

Big Rapids Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2008 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$5,641,187 at the close of the year ended March 31, 2008 down from \$5,820,567 in 2007. The decrease in net asset of \$179,380 was due to the change in net assets and prior period adjustments.

The unrestricted net assets were \$846,344 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

The unrestricted net assets increased again this fiscal year resulting from surpluses in several programs.

Big Rapids Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 1,131,077	\$ 1,053,575	\$ 77,502	7.4%
Restricted assets	1,526,315	1,645,415	(119,100)	-7.2%
Capital assets	5,496,099	5,450,159	45,940	0.8%
Other assets	40,735	63,560	(22,825)	-35.9%
Total Assets	<u>8,194,226</u>	<u>8,212,709</u>	<u>(18,483)</u>	<u>-0.2%</u>
Current liabilities	308,129	632,110	(323,981)	-51.3%
Noncurrent liabilities	2,244,910	1,760,032	484,878	27.5%
Total Liabilities	<u>2,553,039</u>	<u>2,392,142</u>	<u>160,897</u>	<u>6.7%</u>
Net Assets				
Invested in capital assets, net of related debt	4,794,843	5,090,640	(295,797)	-5.8%
Unrestricted	846,344	729,927	116,417	15.9%
Total Net Assets	<u>\$ 5,641,187</u>	<u>\$ 5,820,567</u>	<u>\$ (179,380)</u>	<u>-3.1%</u>

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Total revenue and contributions for the Commission decreased by \$99,775 due to decreases in capital contributions and other assets, which were partially offset by increases in rental revenue, HUD operating grants, other operating grants and interest income. Capital contributions decreased due to fewer expenditures in the Capital Fund Programs during the year.

Big Rapids Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 871,022	\$ 837,705	\$ 33,317	4.0%
HUD operating grants	735,872	521,353	214,519	41.1%
Operating grants - other	8,517	52,180	(43,663)	-512.7%
Interest income	88,062	27,533	60,529	219.8%
Capital Contributions	89,364	440,548	(351,184)	-79.7%
Other income	397,984	413,227	(15,243)	-3.7%
Gain on sale of fixed assets	2,100	150	1,950	1300.0%
Total Revenues and Contributions	<u>2,192,921</u>	<u>2,292,696</u>	<u>(99,775)</u>	-4.4%
Expenses				
Personal services	857,909	789,267	68,642	8.7%
Utilities	328,838	320,397	8,441	2.6%
Operations and maintenance	147,171	119,557	27,614	23.1%
Non routine maintenance	----	1,000	(1,000)	-100.0%
Insurance	66,606	68,402	(1,796)	-2.6%
Payment in lieu of taxes	63,047	57,108	5,939	10.4%
Other supplies and expenses	163,562	168,068	(4,506)	-2.7%
Interest expense	105,104	39,691	65,413	164.8%
Other expense net from sale of property	----	95,574	(95,574)	-100.0%
Depreciation	533,687	520,773	12,914	2.5%
Total Expenses	<u>2,265,924</u>	<u>2,179,837</u>	<u>86,087</u>	3.9%
Change in net assets	(73,003)	112,859	(185,862)	
Beginning net assets	5,820,567	5,707,708	112,859	
Prior period adjustments	(106,377)	----	(106,377)	
Beginning net assets, adjusted	<u>5,714,190</u>	<u>5,707,708</u>	<u>6,482</u>	
Ending net assets	<u>\$ 5,641,187</u>	<u>\$ 5,820,567</u>	<u>\$ (179,380)</u>	

Total expenses for the Commission increased by \$86,087 due to increases in personal services, interest expense, operations and maintenance, depreciation, utilities and payment in lieu of taxes, which were partially offset by decreases in other expense net from sale of property, other supplies and expenses, insurance and non routine maintenance. Personal services increased primarily due to increases in salaries and benefits, interest expense increased due to new long-term debt being acquired. Other expense net from sale of property decreased since the Commission had no sale of property during the year.

**Big Rapids Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

CAPITAL ASSETS

Capital Assets - The Big Rapids Housing Commission's capital assets, as of March 31, 2008, amounts to \$5,496,099 (net of accumulated depreciation). The capital assets includes land, buildings, improvements, equipment and construction in progress.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
MARCH 31,**

	2008	2007	Dollar Change
Land	\$ 354,683	\$ 337,455	\$ 17,228
Building	13,577,062	13,316,008	261,054
Furniture, equipment and machinery- dwelling	194,641	188,770	5,871
Furniture, equipment and machinery- administration	363,898	349,099	14,799
Leasehold improvements	874,228	781,212	93,016
Construction in progress	189,938	19,872	170,066
	15,554,450	14,992,416	562,034
Accumulated depreciation	10,058,351	9,542,257	516,094
Total	\$ 5,496,099	\$ 5,450,159	\$ 45,940

The total increase in the Commission's capital assets for the current fiscal year was \$45,940 or 0.8% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$597,622 for the year. The Commission has \$327,808 available in Capital Funds to draw down and spend in the future.

Debt Administration - As of the year ending March 31, 2008, the Commission had \$2,231,034 in long-term debt outstanding compared to \$1,747,437 last year. The increase is a result of receiving a repayable grant from MHSDA to operate the DVHI Program and refinancing the Nisbett - Fairman Buildings. The corresponding short term debt was reduced from \$399,719 in 2007 to \$89,103 in 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of Low Rent operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The Big Rapids Housing Commission has realized a substantial increase in operating subsidy from HUD in the fiscal year ending 3/31/08. This increase is a result of changes implemented by HUD in the Operating Fund Program. The Big Rapids Housing Commission expects increased operating subsidy for the fiscal year ending 3/31/09 despite an uncertain pro-ration of the operating fund.

The Big Rapids Housing Commission is also undertaking significant capital improvement emphasizing energy improvements including window/door replacements. In addition, the Big Rapids Housing Commission anticipates executing a Performance Energy Contract in June of 2008 to replace all of the heating equipment in all of the public housing units. The Big Rapids Housing Commission will also be implementing the HUD asset management requirements in the upcoming fiscal year.

**Big Rapids Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to: Mark W. Sochocki, Executive Director, Big Rapids Housing Commission, 9 Parkview Village, Big Rapids, Michigan, 49307.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF NET ASSETS

March 31, 2008

ASSETS

Current Assets:

Cash and cash equivalents	\$ 794,976.43
Investments	79,985.01
Receivable - net of allowances:	
Accounts	30,947.53
Accrued interest	308.71
Inventory - net of allowances	4,995.82
Inventory - held for sale	149,206.19
Prepaid expenses	<u>70,657.63</u>

Total Current Assets 1,131,077.32

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	<u>1,526,315.20</u>
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Total restricted assets 1,526,315.20

Capital assets:

Land, improvements, and construction in progress	544,621.13
Other capital assets, net of depreciation	<u>4,951,477.79</u>

Total capital assets- net 5,496,098.92

Other assets

Investment in joint venture	1,000.00
Loan issuance costs, net of amortization of \$1,872.85	33,273.15
Organization costs, net of amortization of \$1,876.05	<u>6,461.81</u>

Total other assets- net 40,734.96

Total Noncurrent Assets 7,063,149.08

Total Assets \$ 8,194,226.40

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

March 31, 2008

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 103,710.90
Accrued compensated absences	13,375.83
Tenant security deposit liability	85,666.90
Interest payable	2,025.85
Current portion of long term debt	89,102.76
Deferred revenues	<u>14,246.58</u>

Total Current Liabilities	<u>308,128.82</u>
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Noncurrent Liabilities:

Long term debt	2,231,034.05
Accrued compensated absences	<u>13,876.43</u>

Total Noncurrent Liabilities	<u>2,244,910.48</u>
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Total Liabilities	<u>2,553,039.30</u>
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NET ASSETS

Invested in capital assets, net of related debt	4,794,842.96
Unrestricted	<u>846,344.14</u>

Total Net Assets	<u>5,641,187.10</u>
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Total Liabilities and Net Assets	<u>\$ 8,194,226.40</u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended March 31, 2008

Operating Revenues:

Rental revenue	\$ 871,022.36
Operating subsidies- HUD grants	735,871.57
Operating subsidies- other grants	8,516.52
Other revenues	<u>397,983.92</u>

Total operating revenues 2,013,394.37

Operating Expenses:

Personal services	857,909.16
Utilities	328,838.58
Operations and maintenance	147,170.66
Insurance	66,606.21
Payment in lieu of taxes	63,046.63
Other supplies and expenses	163,561.70
Depreciation	<u>533,686.67</u>

Total operating expenses 2,160,819.61

Operating income (loss) (147,425.24)

Non-operating revenues (expenses):

Interest and investment earnings	88,062.16
Interest expense	(105,103.91)
Gain (Loss) on sale of fixed assets	<u>2,100.00</u>

Net non-operating revenues (expenses) (14,941.75)

Income (loss) before other revenues, expenses,
gains, losses and transfers (162,366.99)

Capital contributions 89,363.62

Change in net assets (73,003.37)

Net assets at beginning of year 5,820,567.47

Prior period error corrections (106,377.00)

Net assets adjusted at beginning of year 5,714,190.47

Net assets at end of year \$ 5,641,187.10

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2008

Cash flows from operating activities:

Cash received from tenants	\$ 855,897.37
Cash received from HUD grants- operating	735,871.57
Cash received from other grants	8,564.09
Cash received from other operating activities	402,779.22
Cash payments for goods and services	(707,064.12)
Cash payments to employees-salaries	(641,320.71)
Cash payments to employees-compensated absences	(763.93)
Cash payments for employee benefit contributions	(214,203.19)
Cash payments for in lieu of property taxes	<u>(62,003.39)</u>

Net cash provided (used) by operating activities 377,756.91

Cash flows from capital and related financing activities:

Proceeds from capital debt	246,415.00
Capital contributions	106,057.97
Proceeds from sale of assets	2,100.00
Payments for capital assets	(597,622.55)
Loan issuance costs amortization and capitalized interest	20,949.08
Payments for inventory held for sale	134,685.90
Principal paid on capital debt	(179,811.32)
Interest paid on capital debt	<u>(105,129.93)</u>

Net cash (used) for capital and related financing activities (372,355.85)

Cash flows from investing activities:

Proceeds from sale of (payments) for investments	(4,567.29)
Interest and dividends	88,897.11
Receipts (payments) from tenant security deposits	<u>5,273.40</u>

Net cash provided (used) from investing activities 89,603.22

Net increase (decrease) in cash and cash equivalents 95,004.28

Cash and cash equivalents at beginning of year 2,226,287.35

Cash and cash equivalents at end of year \$ 2,321,291.63

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2008

Cash and cash equivalents	\$ 794,976.43
Restricted cash and cash equivalents	<u>1,526,315.20</u>
Total cash and cash equivalents at end of year	<u>\$ 2,321,291.63</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (147,425.24)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	533,686.67
Allowance for doubtful accounts	1,417.05
Allowance for inventory	262.94
Changes in assets and liabilities:	
Receivables	(5,042.91)
Inventory	721.34
Prepaid expenses	(8,403.95)
Accounts and other payables	9,555.99
Deferred revenues	(8,636.31)
Compensated absences	<u>1,621.33</u>
Net cash provided (used) by operating activities	<u>\$ 377,756.91</u>

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2008

NOTE 1 - Summary of Significant Accounting Policies

The Big Rapids Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Home-ownership	The Commission operates a Home-ownership Program funded through grants from Michigan State Housing Development Authority and provides for the purchase and renovation of homes within the City of Big Rapids. These homes are sold to qualified buyers at their appraised value. Participants in the Commission's Family Self Sufficiency Program are given a priority to purchase the renovated homes.
Business Activities	The business activities of the Commission are comprised of the following: Historical Project - The Commission has a wholly owned subsidiary called the Big Rapids Housing Inc., which is the general partner of the Nisbett-Fairman Limited Dividend Housing Association Limited Partnership. The Partnership operates 47 residential apartments on the 2 nd and 3 rd floors of the Nisbett and Fairman buildings while the Commission retains ownership of the 1 st floor commercial spaces in both buildings. Childcare Center- In August 2000 the Commission constructed a learning /childcare center which is the Stepping Stones Childcare Center. The center is currently licensed for 55 children.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Id. Assets, Liabilities, and Equity (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accounts receivable - other government, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Other Assets

This consists of Loan Issuance Cost of \$33,273.15 and Organization Costs of \$6,461.81 for a total of \$39,734.96, net of amortization of \$1,872.85 and \$1,876.05, respectively. The loan issuance costs are amortized over the term of the loan maturity of 20 years and the organization costs are amortized over 40 years.

Investment in Joint Venture

The Commission has a \$1,000 investment with Big Rapids Housing, Inc. which is a wholly owned subsidiary. The Big Rapids Housing, Inc. has no significant financial activity to report.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	3 - 40	years
Furniture, equipment and machinery - dwelling	10 - 15	years
Furniture, equipment and machinery - administration	3 - 15	years
Leasehold improvements	3 - 40	years
Organization costs	40	years

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to the low rent program which is a HUD program.

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Home Ownership	State of Michigan Housing Development Agency
Business Activities - Childcare Center	State of Michigan Department of Education
Business Activities - Historical Project	Housing Commission

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization
Business Activities - Childcare Center	Lunch program

For the year ended March 31, 2008, the Commission complied, in all material respects, with these revenue restrictions.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it or the Commission will not be able to recover collateral securities in the possession of an outside party. As of March 31, 2008, the Commission's bank balances of \$2,321,680.02, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Commission's name.

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of March 31, 2008, the Commission's investments were \$79,985.01. These investments were insured by federal depository insurance or registered, or securities held by the Commission or its agent in the Commission's name.

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission will minimize credit risk by reviewing the financial institutions with which the Commission will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Commission will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements and investing operating funds primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Restricted Assets

The restricted assets as of March 31, 2008, are as follows:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Total</u>
Fannie Mae Modernization	\$ 1,497,607.70	\$ ----	\$ 1,497,607.70
Debt service fund	<u>28,707.50</u>	<u>----</u>	<u>28,707.50</u>
	<u>\$ 1,526,315.20</u>	<u>\$ ----</u>	<u>\$ 1,526,315.20</u>

Restricted assets are considered non-current since their utilization in the next operating cycle is neither required nor expected.

3c. Accounts Receivable

Receivables detail at March 31, 2008, is as follows:

Tenant accounts receivable	\$ 13,816.93	
Allowance for doubtful accounts	<u>(2,257.67)</u>	
Tenants accounts receivable - net		\$ 11,559.26
Accounts receivable - other government	845.09	
Allowance for doubtful accounts	<u>(239.89)</u>	
Accounts receivable - other government - net		605.20
Accounts receivable - HUD		3,177.50
Accounts receivable - other		<u>15,605.57</u>
		<u>\$ 30,947.53</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance March 31, 2008</u>
Land	\$ 337,455.45	\$ 17,228.00	\$ ----	\$ 354,683.45
Building	13,316,007.92	261,053.90	----	13,577,061.82
Furniture, equipment and machinery- dwelling	188,769.57	5,872.00	----	194,641.57
Furniture, equipment and machinery- administration	349,099.04	30,515.71	(15,717.00)	363,897.75
Leasehold improvements	781,212.35	93,015.26	----	874,227.61
Construction in progress	<u>19,871.85</u>	<u>189,937.68</u>	<u>(19,871.85)</u>	<u>189,937.68</u>
	14,992,416.18	<u>\$ 597,622.55</u>	<u>\$ (35,588.85)</u>	15,554,449.88
Accumulated depreciation	<u>9,542,257.34</u>	<u>\$ 531,810.62</u>	<u>\$ (15,717.00)</u>	<u>10,058,350.96</u>
Total	<u>\$ 5,450,158.84</u>			<u>\$ 5,496,098.92</u>

3e. Accounts Payable

Payable detail at March 31, 2008, is as follows:

Accounts payable - vendors	\$ 63,333.34
Accounts payable - other government - PILOT	39,377.56
Accrued liabilities - other	<u>1,000.00</u>
	<u>\$ 103,710.90</u>

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2008 is \$27,252.26.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3g. Non-current Liabilities

As of March 31, 2008, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>13,876.43</u>
Total	\$ <u>13,876.43</u>

The following is a summary of changes in non-current liabilities for the year ended March 31, 2008:

	<u>Balance March 31, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2008</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>12,594.93</u>	\$ <u>1,281.50</u>	\$ <u>----</u>	\$ <u>13,876.43</u>	\$ <u>13,375.83</u>
Total	\$ <u>12,594.93</u>	\$ <u>1,281.50</u>	\$ <u>----</u>	\$ <u>13,876.43</u>	\$ <u>13,375.83</u>

3h. Long-term Debt

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended March 31, 2008:

Type of Debt	<u>Balance March 31, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2008</u>	<u>Amounts Due within One Year</u>
Notes Payable - Historical Project	\$ ----	\$ 359,151.52	\$ 61,318.04	\$ 297,833.48	\$ 32,823.69
Notes Payable - Home Ownership	88,000.00	----	----	88,000.00	----
Notes Payable - Low Rent	<u>1,659,436.61</u>	<u>----</u>	<u>60,651.04</u>	<u>1,598,785.57</u>	<u>56,279.07</u>
Total	\$ <u>1,747,436.61</u>	\$ <u>359,151.52</u>	\$ <u>121,969.08</u>	\$ <u>1,984,619.05</u>	\$ <u>89,102.76</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Long-term Debt (Continued)

Annual Debt Service Requirements

The annual debt service requirements to maturity for long-term debt as of March 31, 2008, are as follows:

<u>Project/Loan #</u>	<u>Date of Note</u>	<u>Original Amount</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Current Balance</u>	<u>Maturity Date</u>
Historical Project						
Chemical Bank #000842011637	8-08-07	\$ 348,666.12	5 years	7.25%	\$ 330,657.17	8-08-12
Home Ownership						
City of Big Rapids #2	2-03-06	\$ 24,800.00	4 years	5.50%	15,000.00	1-01-10
City of Big Rapids #3	8-11-06	\$ 73,000.00	4 years	5.50%	73,000.00	1-01-10
Michigan State Housing Development Authority	5-15-07	\$ 246,415.00	50 years	0.00%	246,415.00	5-15-57
Low Rent						
Fannie Mae Modernization Express Program	3-08-07	\$ 1,700,000.00	20 years	4.55%	<u>1,655,064.64</u>	4-01-27
					<u>\$ 2,320,136.81</u>	

Historical Project

The Big Rapids Housing Commission - Historical Project procured a loan with Chemical Bank on August 8, 2007, in the amount of \$348,666.12 for a term of 5 years, maturing on August 8, 2012 at an interest rate of 7.25%. Repayment of this loan began on September 8, 2007 and will be made in monthly installments. The loan is secured by two parcels of real estate located at 101 and 102 S. Michigan Avenue in Big Rapids, Michigan.

Home Ownership Program

The Big Rapids Housing Commission - Home Ownership Program has procured two lines of credit with the City of Big Rapids in the amounts of \$15,000.00 and \$73,000.00 on February 3, 2006 and August 11, 2006 respectively at an interest rate of 5.50%. The lines of credit are considered long-term with the principal not due or payable until after December 31, 2009.

The Big Rapids Housing Commission - Home Ownership Program has procured a Repayable Grant in the total amount of \$246,415.00 with the Michigan State Housing Development Authority for a term of 50 years on May 15, 2007 at 0% interest. The repayable grant consists of two loans, the first in the amount of \$117,708.00 secured by the real estate at 121 Second Avenue in Big Rapids Michigan and the second in the amount of \$128,707.00 secured by the real estate at 1216 Maple Street in Mecosta County. These properties are to be used as permanent supportive, rental housing for Survivors of domestic violence who are homeless.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Long-term Debt (Continued)

Annual Debt Service Requirements (Continued)

Low Rent Program

The Big Rapids Housing Commission - Low Rent Program procured a loan with the Fannie Mae Modernization Express Program on March 8, 2007, in the amount of \$1,700,000.00 for a term of 20 year, maturing on April 1, 2027, at an interest rate of 4.55%. This note is not and shall not be in any way a debt or liability of the United States of America or the Department of Housing And Urban Development.

Of the proceeds from the loan, \$1,593,376.67 was deposited in a Construction account and \$65,309.70 was deposited into a Debt Service Reserve account. Except for amounts on deposit or to be deposited in the Construction Account, the Debt Service Reserve Account, there are no amounts which have been pledged or are expected to be pledged or otherwise restricted, regardless of where they are located or by whom they are owned, directly or indirectly, to pay the principal of or interest on the Note or the Loan Agreement or to pay amounts due to a guarantor of the Note and as to which there is a reasonable assurance that they will be available to pay the principal of or interest on the Note or the Loan Agreement even if the Authority encounters financial difficulties.

Year Ending March 31	Historical Project		Low Rent	
	Principal Payment	Interest Payment	Principal Payment	Interest Payment
2009	\$ 32,823.69	\$ 24,476.31	\$ 56,279.07	\$ 74,126.94
2010	35,459.84	21,840.16	59,117.15	71,502.25
2011	38,307.73	18,992.27	61,863.80	68,755.60
2012	224,065.91	15,915.65	67,745.83	62,873.57
2013	---	---	70,893.38	59,726.02
2014-2019	---	---	407,042.73	246,054.27
2020-2024	---	---	510,805.01	142,291.99
2025-2027	---	---	421,317.67	24,828.02
	<u>\$ 330,657.17</u>	<u>\$ 81,224.39</u>	<u>\$ 1,655,064.64</u>	<u>\$ 750,158.66</u>

Year Ending March 31	Home Ownership City of Big Rapids #2		Home Ownership City of Big Rapids #2	
	Principal Payment	Interest Payment	Principal Payment	Interest Payment
2009	\$ ----	\$ 825.00	\$ ----	\$ 4,015.00
2010	15,000.00	825.00	73,000.00	4,015.00
	<u>\$ 15,000.00</u>	<u>\$ 1,650.00</u>	<u>\$ 73,000.00</u>	<u>\$ 8,030.00</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3i. Assets Held for Sale

The amount of \$149,206.19 shown as assets held for sale represents homes to be sold to qualified buyers at their appraised value.

3j. Interprogram Transactions and Balances

Operating Transfers

	Transfers in	Transfers out
Public and Indian Housing - Low Rent Capital Fund Program	\$ 97,964.55 ----	\$ ---- 97,964.55
Total	\$ 97,964.55	\$ 97,964.55

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent Capital Fund Program	\$ (16,763.28) (3,177.50)
Business Activities - Historical Project	(7,500.00)
Business Activities - Home Ownership	(4,379.06)
Business Activities - Childcare Center	31,819.84
Total	\$ ----

3k. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Notes payable -correct for payout to MSHDA from loan proceeds for units converted to DVHI program which units were previously held for sale	(106,377.00)
Totals	\$ (106,377.00)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 4 - Other Notes

4a. Employee Retirement Plan

The Commission has the following employee retirement plans:

Defined Benefit Plan for employees hired before July 1, 1999:

A defined benefit plan depends on the amount of pension benefits to be provided at a future date of after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. The Big Rapids Housing Commission contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, MI 48917-9755. Employees who were hired before July 1, 1999 and did not timely elect to participate in defined contribution plan are enrolled in this plan. The Housing Commission contributed 13.74% of covered payroll.

For the year ended March 31, 2007, the following amounts related to the defined benefit plan:

Commission total payroll	\$ 666,936.29
Payroll for covered employees	\$ 284,249.92
Employer (Commission) contribution made	\$ 39,055.94

Defined Contribution Plan for employees hired on or after July 1, 1999:

A defined contribution plan depends solely on the amounts contributed to the plan plus investment earnings. Employees who were hired on or after July 1, 1999 are enrolled in defined contribution plan. The Housing Commission contributed 10% of covered payroll. The Housing Commission's contribution for each employee is fully vested after 7 years of continuous service.

For the year ended March 31, 2007, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 666,936.29
Payroll for covered employees	\$ 176,635.20
Employer (Commission) contribution made	\$ 17,663.52

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Insurance Services.
b. Injuries to employees (workers' compensation)	Purchased insurance with American International Group; Claims are administered by American International Group.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000.00 deductibles.
d. Health and life	Purchased health insurance with Blue Cross and Blue Shield of Michigan; Life insurance is provided by Fort Dearborn Life.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Economic Dependency

The Big Rapids Housing Commission receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Commission receives could be reduced significantly and have an adverse impact on its operations.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 4 - Other Notes (Continued)

4d. Commitments and Contingencies

Commitments—Construction

At March 31, 2008, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-06	\$ 405,161.00	\$ 372,505.15
CFP 501-07	<u>412,821.00</u>	<u>117,668.95</u>
	<u>\$ 817,982.00</u>	<u>\$ 490,174.10</u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

March 31, 2008

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Business Activities- Historical Project</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 598,387.98	\$ ----	\$ 143,691.13
Investments	79,985.01	----	----
Receivable - net of allowances:			
Accounts	11,718.89	3,177.50	8,753.37
Accrued interest	308.71	----	----
Due from (to) interprogram	(16,763.28)	(3,177.50)	(7,500.00)
Inventory - net of allowances	4,995.82	----	----
Prepaid expenses	<u>58,255.30</u>	<u>----</u>	<u>11,366.23</u>
Total Current Assets	<u>736,888.43</u>	<u>----</u>	<u>156,310.73</u>
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents	<u>1,497,607.70</u>	<u>----</u>	<u>----</u>
Total restricted assets	<u>1,497,607.70</u>	<u>----</u>	<u>----</u>
Capital assets:			
Land, improvements, and construction in progress	442,993.13	----	84,400.00
Other capital assets, net of depreciation	<u>3,950,506.96</u>	<u>244,356.76</u>	<u>514,627.82</u>
Total capital assets- net	<u>4,393,500.09</u>	<u>244,356.76</u>	<u>599,027.82</u>
Other assets			
Investment in joint venture	----	----	1,000.00
Loan issuance costs, net of amortization of \$1,872.85	33,273.15	----	----
Organization costs, net of amortization of \$1,876.05	<u>----</u>	<u>----</u>	<u>6,461.81</u>
Total other assets- net	<u>33,273.15</u>	<u>----</u>	<u>7,461.81</u>
Total Noncurrent Assets	<u>5,924,380.94</u>	<u>244,356.76</u>	<u>606,489.63</u>
Total Assets	\$ <u>6,661,269.37</u>	\$ <u>244,356.76</u>	\$ <u>762,800.36</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2008

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Business Activities- Historical Project</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 95,406.18	\$ ----	\$ 4,568.64
Accrued compensated absences	11,700.76	----	----
Tenant security deposit liability	73,676.90	----	11,990.00
Interest payable	----	----	1,614.78
Current portion of long term debt	56,279.07	----	32,823.69
Deferred revenues	<u>8,038.66</u>	<u>----</u>	<u>400.02</u>
Total Current Liabilities	<u>245,101.57</u>	<u>----</u>	<u>51,397.13</u>
Noncurrent Liabilities:			
Long term debt	1,598,785.57	----	297,833.48
Accrued compensated absences	<u>11,520.52</u>	<u>----</u>	<u>----</u>
Total Noncurrent Liabilities	<u>1,610,306.09</u>	<u>----</u>	<u>297,833.48</u>
Total Liabilities	<u>1,855,407.66</u>	<u>----</u>	<u>349,230.61</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,269,316.30	244,356.76	268,370.65
Unrestricted	<u>536,545.41</u>	<u>----</u>	<u>145,199.10</u>
Total Net Assets	<u>4,805,861.71</u>	<u>244,356.76</u>	<u>413,569.75</u>
Total Liabilities and Net Assets	<u>\$ 6,661,269.37</u>	<u>\$ 244,356.76</u>	<u>\$ 762,800.36</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2008

	<u>Home Ownership</u>	<u>Childcare Center</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 37,553.28	\$ 15,344.04	\$ 794,976.43
Investments	-----	-----	79,985.01
Receivable - net of allowances:			
Accounts	1,894.77	5,403.00	30,947.53
Accrued interest	-----	-----	308.71
Due from (to) interprogram	(4,379.06)	31,819.84	-----
Inventory - net of allowances	-----	-----	4,995.82
Inventory - held for sale	149,206.19	-----	149,206.19
Prepaid expenses	-----	1,036.10	70,657.63
	<u>184,275.18</u>	<u>53,602.98</u>	<u>1,131,077.32</u>
Total Current Assets			
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents	28,707.50	-----	1,526,315.20
	<u>28,707.50</u>	<u>-----</u>	<u>1,526,315.20</u>
Total restricted assets			
Capital assets:			
Land, improvements, and construction in progress	17,228.00	-----	544,621.13
Other capital assets, net of depreciation	237,398.10	4,588.15	4,951,477.79
	<u>254,626.10</u>	<u>4,588.15</u>	<u>5,496,098.92</u>
Total capital assets- net			
Other assets			
Investment in joint venture	-----	-----	1,000.00
Loan issuance costs, net of amortization of \$1,872.85	-----	-----	33,273.15
Organization costs, net of amortization of \$1,876.05	-----	-----	6,461.81
	<u>-----</u>	<u>-----</u>	<u>40,734.96</u>
Total other assets- net			
Total Noncurrent Assets	<u>283,333.60</u>	<u>4,588.15</u>	<u>7,063,149.08</u>
Total Assets	\$ <u>467,608.78</u>	\$ <u>58,191.13</u>	\$ <u>8,194,226.40</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2008

	Home Ownership	Childcare Center	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 853.97	\$ 2,882.11	\$ 103,710.90
Accrued compensated absences	----	1,675.07	13,375.83
Tenant security deposit liability	----	----	85,666.90
Interest payable	411.07	----	2,025.85
Current portion of long term debt	----	----	89,102.76
Deferred revenues	81.42	5,726.48	14,246.58
Total Current Liabilities	<u>1,346.46</u>	<u>10,283.66</u>	<u>308,128.82</u>
Noncurrent Liabilities:			
Long term debt	334,415.00	----	2,231,034.05
Accrued compensated absences	----	2,355.91	13,876.43
Total Noncurrent Liabilities	<u>334,415.00</u>	<u>2,355.91</u>	<u>2,244,910.48</u>
Total Liabilities	<u>335,761.46</u>	<u>12,639.57</u>	<u>2,553,039.30</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,211.10	4,588.15	4,794,842.96
Unrestricted	123,636.22	40,963.41	846,344.14
Total Net Assets	<u>131,847.32</u>	<u>45,551.56</u>	<u>5,641,187.10</u>
Total Liabilities and Net Assets	<u>\$ 467,608.78</u>	<u>\$ 58,191.13</u>	<u>\$ 8,194,226.40</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended March 31, 2008

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Operating Revenues:			
Rental revenue	\$ 692,510.94	\$ -----	\$ 155,131.91
Operating subsidies- HUD grants	542,269.84	125,847.73	-----
Other revenues	<u>113,676.07</u>	<u>-----</u>	<u>11,975.27</u>
Total operating revenues	<u>1,348,456.85</u>	<u>125,847.73</u>	<u>167,107.18</u>
Operating Expenses:			
Personal services	607,140.00	27,883.18	7,500.00
Utilities	303,136.09	-----	12,734.22
Operations and maintenance	93,838.18	-----	23,599.89
Insurance	51,328.58	-----	13,356.63
Payment in lieu of taxes	39,377.56	-----	11,514.87
Other supplies and expenses	146,804.13	-----	8,159.20
Depreciation	<u>492,752.62</u>	<u>15,606.92</u>	<u>17,880.97</u>
Total operating expenses	<u>1,734,377.16</u>	<u>43,490.10</u>	<u>94,745.78</u>
Operating income (loss)	<u>(385,920.31)</u>	<u>82,357.63</u>	<u>72,361.40</u>
Non-operating revenues (expenses):			
Interest and investment earnings	84,755.19	-----	2,610.02
Interest expense	(73,978.27)	-----	(26,272.48)
Gain (Loss) on sale of fixed assets	<u>2,100.00</u>	<u>-----</u>	<u>-----</u>
Net non-operating revenues (expenses)	<u>12,876.92</u>	<u>-----</u>	<u>(23,662.46)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(373,043.39)	82,357.63	48,698.94

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended March 31, 2008

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Business Activities- Historical Project</u>
Capital contributions	-----	89,363.62	-----
Operating transfers in (out)	<u>97,964.55</u>	<u>(97,964.55)</u>	<u>-----</u>
Change in net assets	(275,078.84)	73,756.70	48,698.94
Net assets at beginning of year	4,526,651.53	724,889.08	364,870.81
Equity transfers	<u>554,289.02</u>	<u>(554,289.02)</u>	<u>-----</u>
Net assets at end of year	\$ <u><u>4,805,861.71</u></u>	\$ <u><u>244,356.76</u></u>	\$ <u><u>413,569.75</u></u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended March 31, 2008

	<u>Home Ownership</u>	<u>Childcare Center</u>	<u>Totals</u>
Operating Revenues:			
Rental revenue	\$ 23,379.51	\$ -----	\$ 871,022.36
Operating subsidies- HUD grants	67,754.00	-----	735,871.57
Operating subsidies- other grants	-----	8,516.52	8,516.52
Other revenues	<u>186.30</u>	<u>272,146.28</u>	<u>397,983.92</u>
 Total operating revenues	 <u>91,319.81</u>	 <u>280,662.80</u>	 <u>2,013,394.37</u>
Operating Expenses:			
Personal services	2,500.00	212,885.98	857,909.16
Utilities	5,187.98	7,780.29	328,838.58
Operations and maintenance	2,679.89	27,052.70	147,170.66
Insurance	1,784.00	137.00	66,606.21
Payment in lieu of taxes	12,154.20	-----	63,046.63
Other supplies and expenses	1,618.16	6,980.21	163,561.70
Depreciation	<u>6,782.80</u>	<u>663.36</u>	<u>533,686.67</u>
 Total operating expenses	 <u>32,707.03</u>	 <u>255,499.54</u>	 <u>2,160,819.61</u>
 Operating income (loss)	 <u>58,612.78</u>	 <u>25,163.26</u>	 <u>(147,425.24)</u>
Non-operating revenues (expenses):			
Interest and investment earnings	650.49	46.46	88,062.16
Interest expense	(4,853.16)	-----	(105,103.91)
Gain (Loss) on sale of fixed assets	<u>-----</u>	<u>-----</u>	<u>2,100.00</u>
 Net non-operating revenues (expenses)	 <u>(4,202.67)</u>	 <u>46.46</u>	 <u>(14,941.75)</u>
 Income (loss) before other revenues, expenses, gains, losses and transfers	 54,410.11	 25,209.72	 (162,366.99)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended March 31, 2008

	Home Ownership	Childcare Center	Totals
Capital contributions	-----	-----	89,363.62
Change in net assets	54,410.11	25,209.72	(73,003.37)
Net assets at beginning of year	183,814.21	20,341.84	5,820,567.47
Prior period error corrections	(106,377.00)	-----	(106,377.00)
Net assets adjusted at beginning of year	77,437.21	20,341.84	5,714,190.47
Net assets at end of year	\$ 131,847.32	\$ 45,551.56	\$ 5,641,187.10

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended March 31, 2008

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Cash flows from operating activities:			
Cash received from tenants	\$ 683,442.73	\$ ----	\$ 148,993.71
Cash received from HUD grants- operating	542,269.84	125,847.73	----
Cash received from other operating activities	113,772.61	----	11,975.27
Cash payments for goods and services	(594,105.42)	----	(57,833.11)
Cash payments to employees-salaries	(428,919.20)	(21,383.18)	(4,970.00)
Cash payments for employee benefit contributions	(175,835.54)	(6,500.00)	(2,530.00)
Cash payments for in lieu of property taxes	<u>(38,334.32)</u>	<u>----</u>	<u>(11,514.87)</u>
Net cash provided (used) by operating activities	<u>102,290.70</u>	<u>97,964.55</u>	<u>84,121.00</u>
Cash flows from noncapital financing activities:			
Operating transfers in (out)	97,964.55	(97,964.55)	----
Receipts (payments) from interprograms	<u>20,708.01</u>	<u>----</u>	<u>20,800.00</u>
Net cash provided (used) from non capital financing activities	<u>118,672.56</u>	<u>(97,964.55)</u>	<u>20,800.00</u>
Cash flows from capital and related financing activities:			
Capital contributions	----	106,057.97	----
Receipts (payments) from interprograms	(3,177.50)	3,177.50	----
Proceeds from sale of assets	2,100.00	----	----
Payments for capital assets	(226,978.18)	(109,235.47)	----
Loan issuance costs amortization and capitalized interest	20,949.08	----	----
Principal paid on capital debt	(44,935.36)	----	(28,498.96)
Interest paid on capital debt	<u>(73,978.27)</u>	<u>----</u>	<u>(26,298.50)</u>
Net cash (used) for capital and related financing activities	<u>(326,020.23)</u>	<u>----</u>	<u>(54,797.46)</u>
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	(4,567.29)	----	----
Interest and dividends	85,590.14	----	2,610.02
Receipts (payments) from tenant security deposits	<u>3,073.40</u>	<u>----</u>	<u>2,200.00</u>
Net cash provided (used) from investing activities	<u>84,096.25</u>	<u>----</u>	<u>4,810.02</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2008

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Business Activities- Historical Project</u>
Net increase (decrease) in cash and cash equivalents	(20,960.72)	----	54,933.56
Cash and cash equivalents at beginning of year	<u>2,116,956.40</u>	----	<u>88,757.57</u>
Cash and cash equivalents at end of year	\$ <u>2,095,995.68</u>	\$ ----	\$ <u>143,691.13</u>
Cash and cash equivalents	\$ 598,387.98	\$ ----	\$ 143,691.13
Restricted cash and cash equivalents	<u>1,497,607.70</u>	----	----
Total cash and cash equivalents at end of year	\$ <u>2,095,995.68</u>	\$ ----	\$ <u>143,691.13</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (385,920.31)	\$ 82,357.63	\$ 72,361.40
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	492,752.62	15,606.92	17,880.97
Allowance for doubtful accounts	115.82	----	1,300.00
Allowance for inventory	262.94	----	----
Changes in assets and liabilities:			
Receivables	(2,219.88)	----	(2,743.48)
Inventory	721.34	----	----
Prepaid expenses	(8,631.09)	----	366.63
Accounts and other payables	9,691.61	----	(264.52)
Deferred revenues	(6,867.61)	----	(4,780.00)
Compensated absences	<u>2,385.26</u>	----	----
Net cash provided (used) by operating activities	\$ <u>102,290.70</u>	\$ <u>97,964.55</u>	\$ <u>84,121.00</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2008

	Home Ownership	Childcare Center	Totals
Cash flows from operating activities:			
Cash received from tenants	\$ 23,460.93	\$ -----	\$ 855,897.37
Cash received from HUD grants- operating	67,754.00	-----	735,871.57
Cash received from other grants	-----	8,564.09	8,564.09
Cash received from other operating activities	1,978.65	275,052.69	402,779.22
Cash payments for goods and services	(12,922.17)	(42,203.42)	(707,064.12)
Cash payments to employees-salaries	(1,730.00)	(184,318.33)	(641,320.71)
Cash payments to employees-compensated absences	-----	(763.93)	(763.93)
Cash payments for employee benefit contributions	(770.00)	(28,567.65)	(214,203.19)
Cash payments for in lieu of property taxes	(12,154.20)	-----	(62,003.39)
	<u>65,617.21</u>	<u>27,763.45</u>	<u>377,756.91</u>
Net cash provided (used) by operating activities			
Cash flows from noncapital financing activities:			
Receipts (payments) from interprograms	(10,620.00)	(30,888.01)	-----
	<u>(10,620.00)</u>	<u>(30,888.01)</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities			
Cash flows from capital and related financing activities:			
Proceeds from capital debt	246,415.00	-----	246,415.00
Capital contributions	-----	-----	106,057.97
Proceeds from sale of assets	-----	-----	2,100.00
Payments for capital assets	(261,408.90)	-----	(597,622.55)
Loan issuance costs amortization and capitalized interest	-----	-----	20,949.08
Payments for inventory held for sale	134,685.90	-----	134,685.90
Principal paid on capital debt	(106,377.00)	-----	(179,811.32)
Interest paid on capital debt	(4,853.16)	-----	(105,129.93)
	<u>8,461.84</u>	<u>-----</u>	<u>(372,355.85)</u>
Net cash (used) for capital and related financing activities			
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	-----	-----	(4,567.29)
Interest and dividends	650.49	46.46	88,897.11
Receipts (payments) from tenant security deposits	-----	-----	5,273.40
	<u>650.49</u>	<u>46.46</u>	<u>89,603.22</u>
Net cash provided (used) from investing activities			

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2008

	Home Ownership	Childcare Center	Totals
Net increase (decrease) in cash and cash equivalents	64,109.54	(3,078.10)	95,004.28
Cash and cash equivalents at beginning of year	<u>2,151.24</u>	<u>18,422.14</u>	<u>2,226,287.35</u>
Cash and cash equivalents at end of year	\$ <u>66,260.78</u>	\$ <u>15,344.04</u>	\$ <u>2,321,291.63</u>
Cash and cash equivalents	\$ 37,553.28	\$ 15,344.04	\$ 794,976.43
Restricted cash and cash equivalents	<u>28,707.00</u>	<u>-----</u>	<u>1,526,315.20</u>
Total cash and cash equivalents at end of year	\$ <u>66,260.78</u>	\$ <u>15,344.04</u>	\$ <u>2,321,291.63</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 58,612.78	\$ 25,163.26	\$ (147,425.24)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	6,782.80	663.36	533,686.67
Allowance for doubtful accounts	-----	1.23	1,417.05
Allowance for inventory	-----	-----	262.94
Changes in assets and liabilities:			
Receivables	(102.42)	22.87	(5,042.91)
Inventory	-----	-----	721.34
Prepaid expenses	-----	(139.49)	(8,403.95)
Accounts and other payables	242.63	(113.73)	9,555.99
Deferred revenues	81.42	2,929.88	(8,636.31)
Compensated absences	<u>-----</u>	<u>(763.93)</u>	<u>1,621.33</u>
Net cash provided (used) by operating activities	\$ <u>65,617.21</u>	\$ <u>27,763.45</u>	\$ <u>377,756.91</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended March 31, 2008

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2008	Low Rent Program	14.850a	\$ <u>542,269.84</u>
	<u>Public and Indian Housing</u>		
	<u>Nonmajor - Direct Program</u>		
2008	Capital Fund program	14.872	\$ <u>215,211.35</u>
	<u>Low Income Public Housing</u>		
2008	<u>Nonmajor - Indirect Program</u>		
	<u>HOME funds- pass through Michigan State</u>		
	<u>Housing Development Authority</u>		
	Home Ownership	14.239	\$ <u>30,777.39</u>
2008	<u>US Department of Agriculture</u>		
	<u>Nonmajor - Indirect Program</u>		
	<u>Childcare Food Program - pass through State of</u>		
	<u>Michigan Department of Education</u>		
	Childcare Center	10-558	\$ <u>8,516.52</u>
	Total		\$ <u>796,775.10</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2008

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Assets:			
	Current Assets:			
	Cash			
111	Cash-unrestricted	\$ 524,711.08	\$ ----	\$ 131,701.13
113	Cash-other restricted	1,497,607.70	----	----
114	Cash-tenant security deposits	<u>73,676.90</u>	<u>----</u>	<u>11,990.00</u>
100	Total cash	<u>2,095,995.68</u>	<u>----</u>	<u>143,691.13</u>
	Accounts and notes receivable:			
122	Accounts receivable-HUD	----	3,177.50	----
125	Accounts receivable- miscellaneous	3,657.83	----	5,255.17
126	Accounts receivable- tenants-dwelling rents	8,485.33	----	5,331.60
126.1	Allowance for doubtful accounts-dwelling rents	(424.27)	----	(1,833.40)
129	Accrued interest receivable	<u>308.71</u>	<u>----</u>	<u>----</u>
120	Total receivables, net of allowance for doubtful accounts	<u>12,027.60</u>	<u>3,177.50</u>	<u>8,753.37</u>
	Current investments:			
131	Investments-unrestricted	79,985.01	----	----
142	Prepaid expenses and other assets	58,255.30	----	11,366.23
143	Inventories	5,258.76	----	----
143.1	Allowance for obsolete inventories	(262.94)	----	----
144/ (347)	Interprogram due from	<u>(16,763.28)</u>	<u>(3,177.50)</u>	<u>(7,500.00)</u>
150	Total current assets	<u>2,234,496.13</u>	<u>----</u>	<u>156,310.73</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Noncurrent Assets:			
	Fixed assets:			
161	Land	253,055.45	-----	84,400.00
162	Buildings	12,670,844.81	16,873.00	644,263.11
163	Furniture, equipment and machinery-dwellings	177,590.00	17,051.57	-----
164	Furniture, equipment and machinery- administration	326,145.47	30,515.71	1,310.00
165	Leasehold improvements	673,113.86	197,614.09	-----
166	Accumulated depreciation	(9,897,187.18)	(17,697.61)	(130,945.29)
167	Construction in progress	189,937.68	-----	-----
160	Total fixed assets, net of accumulated depreciation	<u>4,393,500.09</u>	<u>244,356.76</u>	<u>599,027.82</u>
174	Other assets	33,273.15	-----	6,461.81
176	Investment in joint venture	-----	-----	1,000.00
180	Total noncurrent assets	<u>4,426,773.24</u>	<u>244,356.76</u>	<u>606,489.63</u>
190	Total Assets	<u>\$ 6,661,269.37</u>	<u>\$ 244,356.76</u>	<u>\$ 762,800.36</u>
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ (56,028.62)	\$ -----	\$ (3,568.64)
322	Accrued compensated absences- current portion	(11,700.76)	-----	-----
325	Accrued interest payable	-----	-----	(1,614.78)
333	Accounts payable -other government	(39,377.56)	-----	-----
341	Tenant security deposits	(73,676.90)	-----	(11,990.00)
342	Deferred revenues	(8,038.66)	-----	(400.02)
343	Current portion of L - T debt capital projects	(56,279.07)	-----	(32,823.69)
346	Accrued liabilities-other	-----	-----	(1,000.00)
310	Total current liabilities	<u>(245,101.57)</u>	<u>-----</u>	<u>(51,397.13)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Noncurrent Liabilities:			
351	Long-term debt, net of current-capital projects	(1,598,785.57)	----	(297,833.48)
354	Accrued compensated absences- non current portion	<u>(11,520.52)</u>	----	----
350	Total noncurrent liabilities	<u>(1,610,306.09)</u>	----	<u>(297,833.48)</u>
300	Total liabilities	<u>(1,855,407.66)</u>	----	<u>(349,230.61)</u>
	Equity:			
508.1	Investment in capital assets, net of related debt	<u>(4,269,316.30)</u>	<u>(244,356.76)</u>	<u>(268,370.65)</u>
512.1	Unrestricted Net Assets	<u>(536,545.41)</u>	----	<u>(145,199.10)</u>
600	Total Liabilities and Equity	<u>\$ (6,661,269.37)</u>	<u>\$ (244,356.76)</u>	<u>\$ (762,800.36)</u>
	Revenue:			
703	Net rental revenue	\$ (684,599.80)	\$ ----	\$ (156,431.91)
704	Tenant revenue-other	<u>(12,311.90)</u>	----	----
705	Total tenant revenue	<u>(696,911.70)</u>	----	<u>(156,431.91)</u>
706	HUD PHA operating grants	(542,269.84)	(125,847.73)	----
706.1	HUD PHA capital grants	----	(89,363.62)	----
711	Investment income-unrestricted	(23,141.33)	----	(2,610.02)
715	Other revenue	(113,676.07)	----	(11,975.27)
716	Gain on sale of fixed assets	(2,100.00)	----	----
720	Investment income-restricted	<u>(61,613.86)</u>	----	----
700	Total revenue	<u>(1,439,712.80)</u>	<u>(215,211.35)</u>	<u>(171,017.20)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Expenses:			
	Administrative			
911	Administrative salaries	283,386.64	13,883.18	4,660.00
912	Auditing fees	7,510.00	----	----
914	Compensated absences	2,385.26	----	----
915	Employee benefit contributions-administrative	101,373.08	6,500.00	2,340.00
916	Other operating-administrative	53,162.37	----	8,159.20
	Tenant services			
924	Tenant services-other	82,896.01	----	----
	Utilities			
931	Water	94,108.38	----	5,917.98
932	Electricity	64,570.94	----	4,948.85
933	Gas	144,456.77	----	1,867.39
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	145,532.56	----	310.00
942	Ordinary maintenance and operation-materials & other	41,769.17	----	1,645.05
943	Ordinary maintenance and operation-contract costs	49,357.01	----	21,954.84
945	Employee benefit contributions-ordinary maintenance	74,462.46	----	190.00
	Protective services			
951	Protective services-labor	----	7,500.00	----
952	Protective services-other contract costs	2,712.00	----	----

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.	Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
General expenses			
961 Insurance premiums	51,328.58	----	13,356.63
962 Other general expense	3,235.75	----	-----
963 Payments in lieu of taxes	39,377.56	----	11,514.87
964 Bad debts- tenant rents	4,400.76	----	1,300.00
967 Interest expense	<u>73,978.27</u>	----	<u>26,272.48</u>
969 Total operating expenses	<u>1,320,003.57</u>	<u>27,883.18</u>	<u>104,437.29</u>
970 Excess (deficit) operating revenue over operating expenses	<u>119,709.23</u>	<u>187,328.17</u>	<u>66,579.91</u>
974 Depreciation expense	<u>492,752.62</u>	<u>15,606.92</u>	<u>17,880.97</u>
Total expenses other than total operating	<u>492,752.62</u>	<u>15,606.92</u>	<u>17,880.97</u>
Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(373,043.39)	171,721.25	48,698.94
1000			
1001 Operating transfers in	97,964.55	----	-----
1002 Operating transfers out	----	<u>(97,964.55)</u>	----
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ (275,078.84)</u>	<u>\$ 73,756.70</u>	<u>\$ 48,698.94</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Home Ownership 14.239	Childcare Center 10-558	Total
	Assets:			
	Current Assets:			
	Cash			
111	Cash-unrestricted	\$ 37,553.28	\$ 15,344.04	\$ 709,309.53
113	Cash-other restricted	28,707.00	----	1,526,315.20
114	Cash-tenant security deposits	-----	-----	85,666.90
100	Total cash	<u>66,260.78</u>	<u>15,344.04</u>	<u>2,321,291.63</u>
	Accounts and notes receivable:			
122	Accounts receivable-HUD	----	----	3,177.50
124	Accounts receivable- other government	-----	845.09	845.09
125	Accounts receivable- miscellaneous	1,894.77	4,797.80	15,605.57
126	Accounts receivable- tenants-dwelling rents	----	----	13,816.93
126.1	Allowance for doubtful accounts-dwelling rents	----	----	(2,257.67)
126.2	Allowance for doubtful accounts-other	-----	(239.89)	(239.89)
129	Accrued interest receivable	-----	-----	308.71
120	Total receivables, net of allowance for doubtful accounts	<u>1,894.77</u>	<u>5,403.00</u>	<u>31,256.24</u>
	Current investments:			
131	Investments-unrestricted	----	----	79,985.01
142	Prepaid expenses and other assets	----	1,036.10	70,657.63
143	Inventories	----	-----	5,258.76
143.1	Allowance for obsolete inventories	-----	-----	(262.94)
144/				
(347)	Interprogram due from	(4,379.06)	31,819.84	-----
145	Assets held for sale	<u>149,206.19</u>	-----	<u>149,206.19</u>
150	Total current assets	<u>212,982.68</u>	<u>53,602.98</u>	<u>2,657,392.52</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Home Ownership 14.239	Childcare Center 10-558	Total
	Noncurrent Assets:			
	Fixed assets:			
161	Land	17,228.00	----	354,683.45
162	Buildings	244,180.90	900.00	13,577,061.82
163	Furniture, equipment and machinery-dwellings	----	----	194,641.57
164	Furniture, equipment and machinery- administration	----	5,926.57	363,897.75
165	Leasehold improvements	----	3,499.66	874,227.61
166	Accumulated depreciation	(6,782.80)	(5,738.08)	(10,058,350.96)
167	Construction in progress	----	----	189,937.68
160	Total fixed assets, net of accumulated depreciation	<u>254,626.10</u>	<u>4,588.15</u>	<u>5,496,098.92</u>
174	Other assets	----	----	39,734.96
176	Investment in joint venture	----	----	1,000.00
180	Total noncurrent assets	<u>254,626.10</u>	<u>4,588.15</u>	<u>5,536,833.88</u>
190	Total Assets	<u>\$ 467,608.78</u>	<u>\$ 58,191.13</u>	<u>\$ 8,194,226.40</u>
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ (853.97)	\$ (2,882.11)	\$ (63,333.34)
322	Accrued compensated absences- current portion	----	(1,675.07)	(13,375.83)
325	Accrued interest payable	(411.07)	----	(2,025.85)
333	Accounts payable -other government	----	----	(39,377.56)
341	Tenant security deposits	----	----	(85,666.90)
342	Deferred revenues	(81.42)	(5,726.48)	(14,246.58)
343	Current portion of L - T debt capital projects	----	----	(89,102.76)
346	Accrued liabilities-other	----	----	(1,000.00)
310	Total current liabilities	<u>(1,346.46)</u>	<u>(10,283.66)</u>	<u>(308,128.82)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Home Ownership 14.239	Childcare Center 10-558	Total
	Noncurrent Liabilities:			
351	Long-term debt, net of current-capital projects	(246,415.00)	----	(2,143,034.05)
352	Long-term debt, net of current-operating borrowing	(88,000.00)	----	(88,000.00)
354	Accrued compensated absences- non current portion	-----	(2,355.91)	(13,876.43)
350	Total noncurrent liabilities	<u>(334,415.00)</u>	<u>(2,355.91)</u>	<u>(2,244,910.48)</u>
300	Total liabilities	<u>(335,761.46)</u>	<u>(12,639.57)</u>	<u>(2,553,039.30)</u>
	Equity:			
508.1	Investment in capital assets, net of related debt	<u>(8,211.10)</u>	<u>(4,588.15)</u>	<u>(4,794,842.96)</u>
512.1	Unrestricted Net Assets	<u>(123,636.22)</u>	<u>(40,963.41)</u>	<u>(846,344.14)</u>
600	Total Liabilities and Equity	<u>\$ (467,608.78)</u>	<u>\$ (58,191.13)</u>	<u>\$ (8,194,226.40)</u>
	Revenue:			
703	Net rental revenue	\$ (23,379.51)	\$ ----	\$ (864,411.22)
704	Tenant revenue-other	-----	-----	(12,311.90)
705	Total tenant revenue	<u>(23,379.51)</u>	<u>-----</u>	<u>(876,723.12)</u>
706	HUD PHA operating grants	(67,754.00)	----	(735,871.57)
706.1	HUD PHA capital grants	----	----	(89,363.62)
708	Other government grants	----	(8,516.52)	(8,516.52)
711	Investment income-unrestricted	(650.49)	(46.46)	(26,448.30)
715	Other revenue	(186.30)	(274,223.71)	(400,061.35)
716	Gain on sale of fixed assets	----	----	(2,100.00)
720	Investment income-restricted	-----	-----	(61,613.86)
700	Total revenue	<u>(91,970.30)</u>	<u>(282,786.69)</u>	<u>(2,200,698.34)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.		Home Ownership 14,239	Childcare Center 10-558	Total
	Expenses:			
	Administrative			
911	Administrative salaries	1,730.00	184,318.33	487,978.15
912	Auditing fees	----	----	7,510.00
914	Compensated absences	----	----	2,385.26
915	Employee benefit contributions-administrative	770.00	28,567.65	139,550.73
916	Other operating-administrative	1,618.16	6,979.91	69,919.64
	Tenant services			
924	Tenant services-other	----	----	82,896.01
	Utilities			
931	Water	878.10	2,378.18	103,282.64
932	Electricity	1,738.87	3,446.99	74,705.65
933	Gas	2,571.01	1,955.12	150,850.29
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	----	----	145,842.56
942	Ordinary maintenance and operation-materials & other	1,839.89	26,544.52	71,798.63
943	Ordinary maintenance and operation-contract costs	840.00	304.18	72,456.03
945	Employee benefit contributions-ordinary maintenance	----	----	74,652.46
	Protective services			
951	Protective services-labor	----	----	7,500.00
952	Protective services-other contract costs	----	204.00	2,916.00

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2008

FDS Line Item No.	Home Ownership 14.239	Childcare Center 10-558	Total
General expenses			
961 Insurance premiums	1,784.00	137.00	66,606.21
962 Other general expense	----	0.30	3,236.05
963 Payments in lieu of taxes	12,154.20	----	63,046.63
964 Bad debts- tenant rents	----	----	5,700.76
966 Bad debts- other	----	2,077.43	2,077.43
967 Interest expense	4,853.16	----	105,103.91
969 Total operating expenses	30,777.39	256,913.61	1,740,015.04
970 Excess (deficit) operating revenue over operating expenses	61,192.91	25,873.08	460,683.30
974 Depreciation expense	6,782.80	663.36	533,686.67
Total expenses other than total operating	6,782.80	663.36	533,686.67
Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	54,410.11	25,209.72	(73,003.37)
1001 Operating transfers in	----	----	97,964.55
1002 Operating transfers out	----	----	(97,964.55)
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 54,410.11	\$ 25,209.72	\$ (73,003.37)

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the basic financial statements of the Big Rapids Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2008, and have issued our report thereon dated June 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

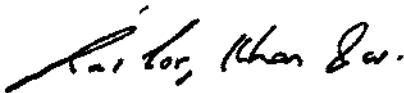
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be report under *Government Auditing Standards*.

This report is intended solely for the information and uses of management, the Board of Commissioners, others within the Commission, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
June 12, 2008

Khan & Co. LLC**Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

Compliance

We have audited the compliance of the Big Rapids Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

Internal Control Over Compliance

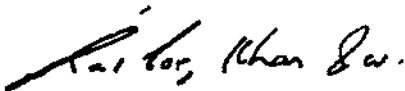
The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *control deficiency* in an Commission's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Commission's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses as defined above.

This report is intended for the information and use of the Big Rapids Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Sailor, Khan & Co. LLC".

Sailor, Khan & Co. LLC
June 12, 2008

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

March 31, 2008

The prior audit report for the year ended March 31, 2007 contained a total of two significant deficiencies:

Financial Statement Findings

Finding: Segregation of Duties
Status: Implemented

Finding: Financial Statements
Status: Implemented

Federal Awards Findings

None

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2008

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA

Number(s) Name of Federal Program

14-850a Public and Indian Housing

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2008 disclosed no Financial Statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended March 31, 2008 disclosed no Federal Awards audit findings.

QUESTIONED COSTS

None